

should assume the form of deposits at interest in banks or discount houses of repute. I hold that it is an inaccuracy of language to apply the term "investments" to deposits: deposits should only be utilised in order to prevent the loss of interest until a permanent security has been obtained. In the event of a failure (however utterly improbable) the depositor would simply rank against the assets as an ordinary creditor.

11. I have already implicitly referred to banks and insurance institutions in preceding remarks, assigning as the sole reason against the purchase of shares, the fact that a liability generally remains upon the capital. They are suitable investments for large resources, where a loss (however improbable) would constitute but a small fraction of the investor's aggregate funds; but the existence of an additional liability (intangible though it may be) should not be accepted by the investor of slender or moderate means. I cannot close this section, with satisfaction to my own feelings, without the comment that the banks and insurance companies of the United Kingdom justly furnish a subject for national commercial pride.

12. I need not dilate upon investments of other descriptions: the principles I have expressed can be adapted in application to the assessment of their desirability.

13. In connection with joint-stock undertakings, certain observations suggest thought.

13. *Beserve Funds*.—The object of these funds is the protection of the capital should financial disaster, or grave difficulty, occur in the company's history. It is obvious, accordingly, that if the reserve be employed in the business itself, it will share in any monetary troubles that may arise, and hence its protective character and function will disappear. The reserve

should be invested in sound securities  
outside the company's  
particular undertaking.

14. *Failures*.—In assessing the  
significance or indication of  
some signal disaster by  
misadministration or fraud, or both  
united, the thoughtless use of imagination  
constantly obscures  
clearness of vision and sobriety of  
deduction. All perception of  
proportion vanishes, and we begin to  
lament the decadence  
of trade and commercial honour. A  
true estimate of the  
position can evidently only be gained by  
comparing the number